

REFERENCE TITLE: **income tax exemption; children**

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

HB 2512

Introduced by
Representatives Rosati, Smith: Allen J, Anderson, Burges, Knaperek,
Senator Verschoor

AN ACT

AMENDING SECTION 43-403, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1044; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-403, Arizona Revised Statutes, is amended to
3 read:

4 **43-403. Employment excluded from withholding**

5 A. No amount shall be deducted or retained from:

6 1. Wages or salary paid to an employee of a common carrier when such
7 employee is a nonresident of this state as defined in section 43-104 and
8 regularly performs services both within and without this state.

9 2. Wages paid for domestic service in a private home.

10 3. Wages paid for casual labor not in the course of the employer's
11 trade or business.

12 4. Wages paid to part-time or seasonal employees whose services to the
13 employer consist solely of labor in connection with the planting,
14 cultivating, harvesting or field packing of seasonal agricultural crops,
15 except such employees whose principal duties are operating any
16 mechanically-driven device in such operations.

17 5. Wages or salary paid to a nonresident of this state who is:

18 (a) An employee of an individual, fiduciary, partnership, corporation
19 or limited liability company having property, payroll and sales in this
20 state, or of a related entity having more than fifty per cent direct or
21 indirect common ownership.

22 (b) Physically present in this state for less than sixty days in a
23 calendar year for the purpose of performing a service that will benefit the
24 employer or the related entity. For purposes of determining the number of
25 days of service in this state, days spent in the following activities are not
26 included:

27 (i) In transit.

28 (ii) Engaging in personal activities.

29 (iii) Participating in training or professional development activities
30 or attending meetings that are not directly connected to the Arizona
31 operations of the employer or the related entity.

32 **6. WAGES PAID TO AN EMPLOYEE WHO IS UNDER EIGHTEEN YEARS OF AGE.**

33 B. In addition to the exemptions from the withholding provisions
34 contained in subsection A of this section, because of the temporary nature of
35 such employment, no amount shall be deducted or retained from wages paid to a
36 nonresident of this state engaged in any phase of motion picture production
37 when, prior to the time of payment of such wages, an application is made by
38 the employer to the department, on forms prescribed by the department, for an
39 exemption from the withholding provisions of this section and the department
40 determines that the nonresident would be allowed a credit under section
41 43-1096 against all of the taxes upon such wages imposed by this chapter.

42 C. Subsection A, paragraph 5 of this section does not apply to a
43 nonresident employee who is in this state solely for athletic or
44 entertainment purposes.

1 D. Notwithstanding subsection A, paragraph 5 of this section:
2 1. The nonresident employee may elect to have withholding deducted in
3 the manner prescribed by section 43-401, subsection F and the employer shall
4 withhold tax pursuant to that election.

5 2. The employer may elect to withhold tax from the nonresident
6 employee before the sixty day limitation has elapsed.

7 Sec. 2. Title 43, chapter 10, article 4, Arizona Revised Statutes, is
8 amended by adding section 43-1044, to read:

9 43-1044. Exemption; persons under eighteen years of age

10 A. A PERSON WHO IS UNDER EIGHTEEN YEARS OF AGE IS EXEMPT FROM THE TAX
11 IMPOSED UNDER THIS CHAPTER WITH RESPECT TO THAT TAXABLE YEAR, REGARDLESS OF
12 THE SOURCE OR NATURE OF THE INCOME.

13 B. THE DEPARTMENT SHALL ESTABLISH A PROCESS FOR VERIFYING ELIGIBILITY
14 FOR THE EXEMPTION UNDER THIS SECTION.

15 Sec. 3. Effective date

16 Section 43-403, Arizona Revised Statutes, as amended by this act, and
17 section 43-1044, Arizona Revised Statutes, as added by this act, are
18 effective and apply to taxable years beginning from and after December 31,
19 2006.